



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE SERVICES
DEPARTMENT OF LABOR & ECONOMIC GROWTH
DAVID C. HOLLISTER, DIRECTOR

LINDA A. WATTERS
COMMISSIONER

Memorandum

DATE: 3-7-05

TO: Companies Writing Private Passenger Auto and Homeowners Insurance

FROM: Linda A. Watters
Commissioner

SUBJECT: Inquiry Regarding Credit Scoring

Enclosed is the second annual Credit Scoring Enforcement Survey that the Office of Financial and Insurance Services (OFIS) has requested insurers writing private passenger auto and homeowners insurance to complete. The purpose of the inquiry is to determine insurers' compliance with the requirements of OFIS Commissioner Order No. 03-005-M as specified in OFIS Bulletins 2003-01-INS and 2003-02-INS. It is well known that OFIS is processing rules that would ban the use of insurance credit scoring as of July 1, 2005. It is nonetheless important that we ascertain and secure compliance with applicable laws until that date.

Many of the questions on this year's inquiry are the same as those asked last year. One difference is that last year OFIS only sent the survey to insurers that we were aware of using credit scoring as a component of the rates for private passenger auto and homeowners insurance. This year, we are sending this inquiry to all insurers that are authorized to write these lines.

This inquiry is issued pursuant to MCL 500.438(3), which authorizes the Commissioner to address inquiries to any insurer in relation to the insurer's activities, or any matter connected with the insurer's transactions, and requires an insurer to address the inquiry promptly in writing. **Please respond within 30 days of the date of this correspondence.** Please be reminded that failing to respond to a Commissioner inquiry within 30 days may subject an insurer to penalties pursuant to MCL 500.438(5).

If you have any questions regarding the survey, please call the Product Review Unit at 517-373-4948.

Michigan Credit Scoring Enforcement Survey

Read instructions before completing. Questions should be directed to the OFIS Insurance Product Review Unit at 517-373-4948 or 1-877-999-6442 toll-free.

Instructions: Complete survey on an individual company basis for Michigan business, rather than on a group basis, ***unless all of the responses for the entire group are the same.***

If completed on a group basis, write "see attached list" in the space for company name, then attach a list of insurance company names and NAIC numbers, with a statement confirming that all survey answers are the same for all the companies listed.

Some companies use different terminology to refer to similar practices such as credit history, credit scoring, insurance credit scores, or insurance scores. The survey is to be completed regarding the insurance company's practice that utilizes the credit history of an individual in some manner, regardless of what terminology is used by the company.

You may fax the completed survey to us, at 517-241-6356. If documents are not legible we will call and ask you to immediately mail the survey and attachments to us.

Company name

NAIC number

Date submitted

Contact (person completing this form) name, title and mailing address

Contact person phone number with area code

Contact person email address

Use of Insurance Credit Scoring

1. Does your company use insurance credit scoring for automobile or homeowners insurance? *[If you answer No for both auto and home, please disregard questions 2 through 6.]*

Auto ☐ Yes ☐ No

Home ☐ Yes ☐ No

Re-scoring

2. At the request of an insured, does your company recalculate and then apply an insured's insurance credit score at least once annually?

☐ Yes ☐ No

3. Does your company recalculate an insurance credit score and apply an appropriate discount if an insured successfully disputes information in his or her credit history?

☐ Yes ☐ No

Annual Notices

4. Does your company annually inform its automobile and/or homeowners policyholders of the credit score used to apply an insurance credit scoring discount and the discount tier in which the policyholder is placed? *(If Yes, read note 1.)*

☐ Yes ☐ No

Notices of Adverse Action

5. Under the federal Fair Credit Reporting Act, does your company inform applicants and policyholders of any "adverse action" stemming from the use of credit histories for the rating or underwriting of insurance? *(If Yes, read note 1.)*

☐ Yes ☐ No

6. Does your company send a notice of an adverse action when an applicant or policyholder is placed in any rating tier other than the one that would produce the lowest premium? *(If Yes, read note 1.)*

☐ Yes ☐ No

NOTE 1

"If you answered yes to questions 4, 5 or 6 attach a sample of the form used to notify the policyholder. Please include both auto and homeowners forms when applicable.

PLEASE HIGHLIGHT THE PERTINENT CREDIT SCORE AND DISCOUNT TIER NOTIFICATION LANGUAGE FOR EASE IN REVIEW. Also, we need to see the notification you give policyholders who are Thin File or No Hit, where you are unable to develop a credit score. Your sample should contain a precise representation of what you show your policyholders.

For example, "The credit score used to rate this policy is 702 and you are in our 15% discount tier" or "Your credit score is 799 and you are in our standard discount tier" or "We could not develop a credit score for you, therefore you are a Thin File/No Hit who is in our standard tier."

Mail completed survey with attachments to:

Office of Financial and Insurance Services
Insurance Product Review Unit
P.O. Box 30220
Lansing, MI 48909-7720

Certification

I certify that the statements given in this survey are true, complete and correct.

Signature

Date submitted

Signer's name and title (please type or print)

Authority: PA 218 of 1956 as amended. Failure to properly file this survey may result in a compliance action including fines or a limitation on company authority in Michigan.



Michigan Department of Labor & Economic Growth

Visit OFIS online at: www.michigan.gov/ofis Phone OFIS toll-free at: 1-877-999-6442

The Department of Labor & Economic Growth will not discriminate against any individual or group because of race, sex, sexual orientation, religion, age, national origin, color, marital status, political beliefs or disability. If you need help with reading, writing, hearing, etc., under the Americans with Disabilities Act, you may make your needs known to this agency.